

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 HA-05 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 PA-01 SP-02 SS-15 EB-08  
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FM AMEMBASSY MANILA  
TO SECSTATE WASHDC IMMEDIATE 2793

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E. O. 11652: NA  
TAGS: EFIN, SHUM, RP  
SUBJECT: PROPOSED IBRD LOAN FOR RURAL ELECTRIFICATION (\$60  
MILLION)

REF: STATE 60861

1. SUMMARY. THIS LOAN WOULD MEET THE FOREIGN EXCHANGE COSTS OF THE RURAL ELECTRIFICATION PROGRAM FOR 1979 AND PART OF 1980, DURING WHICH ABOUT 100 ELECTRIC COOPERATIVES WILL BE ADDED TO THE SYSTEM, WITH SOME 350,000 TO 400,000 NEW CONSUMERS. PAST EXPERIENCE HAS SHOWN THAT RECIPIENTS OF RURAL ELECTRIFICATION ARE POOR AND GENERALLY ENGAGED IN FOOD PRODUCTION, AND THAT BENEFITS INCLUDE INCREASED INCOME, MORE OPPORTUNITIES FOR EDUCATION AND RECREATION, AND BETTER HEALTH. WE WELCOME ENTRY OF THE WORLD BANK INTO THIS AREA, AND BELIEVE THAT THE CONGRESSS SHARES THIS VIEW. END SUMMARY.

2. EDMUNDO BULATAO, DIRECTOR FOR FRANCHISES AND REGULATION OF COOPERATIVES, NATIONAL ELECTRIFICATION ADMINISTRATION (NEA), RECENTLY RETURNED FROM FINAL NEGOTIATION OF THIS LOAN WITH IBRD IN WASHINGTON. HE SAID THAT THE  
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NEA BOARD WILL BE CONSIDERING THE TERMS OF THE LOAN ON MARCH 13. BULATAO PROVIDED A DESCRIPTION OF THE PURPOSES FOR WHICH THE LOAN PROCEEDS WOULD BE USED.

3. THE \$60 MILLION FROM THIS PROPOSED LOAN WOULD SUPPORT THE RURAL ELECTRIFICATION PROGRAM ADMINISTERED BY THE NEA. THE OVERALL GOAL OF THE PROGRAM IS TOTAL

ELECTRIFICATION OF THE COUNTRY BY 1990. PROCEEDS OF THE LOAN WOULD MEET 100 PERCENT OF FOREIGN EXCHANGE COSTS OF THE PROGRAM FOR 1979 AND PART OF 1980, AND WOULD GO FOR PURCHASE OF ELECTRICAL MATERIALS, COMMUNICATIONS AND OTHER EQUIPMENT, AND INCLUDE A SMALL AMOUNT FOR OPTIONAL CONSULTING SERVICES. A MINIMUM OF 40 PERCENT OF TOTAL PROGRAM COSTS WOULD BE MET THROUGH COUNTERPART FUNDING.

4. DURING THE PERIOD OF THE LOAN, APPROXIMATELY 100 COOPERATIVES WILL BE ADDED TO THE NEA SYSTEM, WITH SOME 350,000 TO 400,000 NEW CONSUMERS. (THE NEA SYSTEM NOW INCLUDES ABOUT 650,000 HOUSEHOLDS, WITH OVER FOUR MILLION PEOPLE.) THE COOPERATIVES WILL BE BROADLY DISTRIBUTED THROUGHOUT THE COUNTRY, IN NEARLY EVERY PROVINCE WITH THE EXCEPTION OF THE CAGAYAN VALLEY, WHERE COOPS ARE BEING FUNDED BY OECF, AND SOME SMALL ISLANDS, WHICH ARE BEING FUNDED THROUGH THE GERMAN AID PROGRAM.

5. PERHAPS THE BEST GUIDE TO ANTICIPATED BENEFICIARIES OF THIS LOAN IS NEA'S PAST EXPERIENCE IN ORGANIZING AND ELCTRIFYING COOPS. THE NEA RECENTLY COMPLETED SURVEYING A SAMPLE OF 3,000 USERS, A SUMMARY OF WHICH IS CONTAINED IN MANILA TOAID A-253, DECEMBER 21, 1977. WITH RESPECT TO INCOME LEVEL, THE SURVEY FOUND THAT NEARLY ONE-THIRD OF THE BENEFICIARIES ARE BELOW THE LIMITED OFFICIAL USE

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SUBSISTENCE LEVEL OF INCOME FOR THE PHILIPPINES, ABOUT ONE-THIRD OWN NEITHER THEIR HOUSE NOR THEIR LOT, AND OVER ONE-THIRD POSSESS FEWER THAN SEVEN HOUSEHOLD ITEMS. ABOUT ONE-FIFTH HAVE NO EDUCATION BEYOND THE FOURTH GRADE. WITH RESPECT TO ECONOMIC ACTIVITY, THE MAJORITY OF BENEFICIARIES ARE INVOLVED IN FOOD PRODUCTION: ONE-THIRD RECEIVE SOME INCOME FROM FARMING, ONE-THIRD FROM AGRICULTURAL INDUSTRIES, ONE-THRID FROM LIVESTOCK AND POULTRY OPERATIONS, AND ONE-FIFTH FROM FISHING AND HUNTING.

6. THE SURVEY FOUOD THAT BENEFITS TO USERS INCLUDE THE FOLLOWING: ILLUMINATION (100 PERCENT OF USERS), RECREATION (TV, RADIO, 50 TO 60 PERCENT), BETTER WATER SYSTEMS IN SOME CASES, AND BROADENED EDUCATIONAL OPPORTUNITIES FROM ELECTRIFIED SCHOOLROOMS. AVERAGE HOUSEHOLD CONSUMPTION IS 35 KILOWATT HOURS PER MONTH (COMPARED TO 1800 KWH IN THE U.S.). ELECTRICAL PUMPS PERMIT INCREASED IRRIGATION, AND EXAMINATION OF THREE REPRESENTATIVE IRRIGATION ASSOCIATIONS SHOWED INCREASED RICE YIELDS OF 100 PERCENT TO 650 PERCENT.

7. ENTRY BY THE WORLD BANK INTO RURAL ELECTRIFICATION SECTOR IS A WELCOME DEVELOPMENT IN THE PHILIPPINES, A VIEW WHICH WE BELIEVE IS SHARED BY THE CONGRESS. IN A FEBRUARY 10 LETTER TO GOVERNOR GILLIGAN, SENATOR INOUE, CHAIRMAN OF THE SUB-COMMITTEE ON FOREIGN OPERATIONS, INDICATED THAT THE COMMITTEE ON APPROPRIATIONS IS IN FAVOR OF AN EARLY TRANSITION TO IFI FINANCING OF RURAL ELECTRIFICATION (IN THE CASE OF INDONESIA). SENATOR INOUE ALSO CITES THE COMMITTEE'S BELIEF THAT "MASSIVE INFUSIONS OF CAPITAL FREQUENTLY NEEDED FOR RURAL DEVELOPMENT AND INFRASTRUCTURE PROJECTS CAN BEST BE PROVIDED BY THE INTERNATIONAL DEVELOPMENT BANKS", AND HE QUOTES A FINDING BY SENATOR DECONCINI, SUBCOMMITTEE MEMBER, THAT "BECAUSE OF THE CAPITAL LIMITED OFFICIAL USE

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INTENSIVE NATURE OF RURAL ELECTRIFICATION PROJECTS, I BELIEVE THAT THEY ARE HIGHLY SUITED TO FUNDING BY THE INTERNATIONAL FINANCIAL INSTITUTIONS."

8. THE BENEFITS TO THE POOR MAJORITY OF THE RURAL ELECTRIFICATION PROGRAM ARE RATHER CLEARLY DOCUMENTED, AND WE BELIEVE THAT THE PROPOSED LOAN MEETS BHN CRITERIA.  
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## Message Attributes

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